



f i s c a l   y e a r   2 0 0 2

# annual report

**Maryland Transportation  
Authority**



**Maryland Transportation Authority**

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# Maryland Transportation Authority

## Mission

The Maryland Transportation Authority assists the State in achieving its transportation goals by advancing the safe, secure and convenient movement of people and goods for the benefit of the citizens of Maryland. Tolls, other revenues and bonding capacity are used to develop, operate, provide law enforcement for and maintain the Authority's highways, bridges and tunnels, which serve as vital links in the State's transportation network. Acting on behalf of the Department of Transportation, the Authority also finances and constructs capital projects to improve Maryland's transportation system, including terminal facilities at the Port of Baltimore and the Baltimore/Washington International Airport. The Authority provides law enforcement at the port and airport facilities. The Authority is committed to sound management practices, fiscal responsibility and prompt, courteous assistance to the traveling public. We are dedicated to teamwork, a diverse workforce and employee development.

## Vision

Customers will move conveniently and safely through our facilities, as the Authority meets the demands of travel and commerce in the 21st century. The Authority will seek new ways to improve transportation in Maryland and the region through partnerships with the Maryland Department of Transportation and others. Innovative engineering, state-of-the-art technology, professional law enforcement and results-oriented management will be used to reach this vision. The Authority will strive continuously to foster confidence and citizen pride in Maryland government.

## Values

- We are committed to preserving our facilities and assisting in the development of Maryland's transportation system.
- We are responsible stewards of Maryland's environment and natural resources.
- We maintain attractive facilities that contribute to traveler confidence and to the quality of lives of customers, neighbors and our co-workers.
- We are committed to the safety and security of travelers, our neighbors and our co-workers.
- We respect our co-workers; trust, open communication and teamwork are essential to our success.
- We expect the highest standards of integrity and honesty from all employees.
- We encourage and assist professional and individual development.
- We are committed to equal opportunity in employment and procurement.
- We value a pro-active, courteous approach to serving customers and assisting them in times of need.
- We value fairness and understanding in interactions with the customers we serve, our business partners, our neighbors and our co-workers.
- We value cost-effective, results-oriented work practices.
- We recognize the Authority must continue to evolve in order to meet the needs of Maryland's citizens in the 21st century.

**Robert L. Ehrlich, Jr., Governor**

**Michael S. Steele, Lt. Governor**

**Robert L. Flanagan, Chairman**

### Members

Louise P. Hoblitzell, Walter E. Woodford, Jr., P.E., Carolyn W. Evans, John B. Norris, Jr., P.E., Rev. Dr. William C. Calhoun, Sr., and Andrew N. Barrow

Thomas L. Osborne, Executive Secretary

In service to the Maryland Transportation Authority

Trustee - **Bank of New York**

Independent Auditor - **Ernst & Young, LLP**

## A Message from the Executive Secretary

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Since 1971, the Maryland Transportation Authority has been responsible for constructing, operating, maintaining and improving the State's seven toll facilities—the John F. Kennedy Memorial Highway (I-95), the Thomas J. Hatem Memorial Bridge (US 40), the Fort McHenry Tunnel (I-95 and I-395), the Francis Scott Key Bridge (I-659), the Baltimore Harbor Tunnel (I-895), the William Preston Lane Jr. Memorial (Bay) Bridge (US 50/301) and the Governor Harry W. Nice Memorial Bridge (US 301). The Maryland Transportation Authority Police, a nationally accredited force with more than 500 civilian and sworn law-enforcement professionals, provides law enforcement at Authority facilities, the Baltimore/Washington International Airport and the Port of Baltimore.

Maryland's toll facilities were financed and constructed through revenue bonds. The outstanding principal and interest due annually is paid through toll revenues. The Authority's budget is separate from the State's General and Transportation Trust funds. As a result, toll revenues from the Authority's seven facilities are pooled to fund operations, maintenance, improvements and law enforcement for these facilities.

In Fiscal Year 2002, the Authority initiated new ventures and continued ongoing partnerships with local, State and federal agencies to enhance our operations and support the State's transportation goals. Through membership in the *E-ZPass*<sup>SM</sup> InterAgency Group, the Authority offers more than nine million *E-ZPass*<sup>SM</sup> customers throughout the Northeast the opportunity to pay tolls electronically in Maryland. *E-ZPass*<sup>SM</sup> is important to managing congestion and improving motorist convenience. It has significantly reduced typical, rush-hour congestion at Maryland toll plazas.

The Authority continues to explore and study other alternatives for reducing congestion and enhancing capacity at all toll facilities. At the Bay Bridge, we implemented a pilot toll-sponsorship program that provided motorists an incentive to travel during off-peak-traffic periods. In fall 2003, we will begin a project to help improve traffic flow at the bridge by widening the toll-plaza approach and constructing the facility's first permanently dedicated *E-ZPass*<sup>SM</sup> lane. We also have started examining long-term needs for Bay crossing capacity.

We are undertaking unprecedented efforts to improve our facilities in light of aging infrastructure and motorist demand. We began a five-year project in January 2002 to renovate the entire deck of the Bay Bridge's westbound span. In April 2003, the Authority approved the I-95 Master Plan (Baltimore City to Delaware), which provides a 20-year framework for improving the 50 miles of I-95 that compose the John F. Kennedy Memorial Highway. This summer, we will begin detailed project planning for the Interstate's eight miles between I-895 and White Marsh Boulevard known as Section 100, currently the Highway's most congested area.

Thank you for taking the time to review our Fiscal Year 2002 accomplishments and financial statements. We are fortunate to have a dedicated and enthusiastic team committed to supporting the Authority and its mission. I commend the Authority's employees for their accomplishments and for their commitment to excellence and teamwork. The tremendous leadership of the Chairman and Authority Members is evident in the progress we continue to make in meeting the growing needs of Maryland's motorists.

Best Wishes,

Thomas L. Osborne  
Executive Secretary

# accomplishments

During Fiscal Year 2002, the Maryland Transportation Authority's 1,500 employees continued to use a process that integrates strategic planning and performance measurement to help the organization meet its goals and objectives. This management tool, known as "managing for results," is used to move the agency from its mission, vision and values statements to key performance objectives and managed outcomes. Managing for results focuses on achievements that will serve the best interest of our customers, our organization and others who have a stake in our performance. The Authority's Fiscal Year 2002 accomplishments are highlighted and categorized under the following mission-based goals:

## convenience

**M o v i n g** People and Goods Conveniently

### ***E-ZPass***<sup>SM</sup>

The Maryland Transportation Authority is a member of the *E-ZPass*<sup>SM</sup> InterAgency Group, which continues to develop a seamless electronic-toll-collection system throughout the northeastern United States. More than nine million *E-ZPass*<sup>SM</sup> customers can pay tolls electronically in Maryland. With *E-ZPass*<sup>SM</sup>, tolls are deducted automatically from pre-paid customer accounts when antennae in the toll lanes read signals emitted by transponders (small plastic boxes containing a radio-frequency transmitter) affixed to the inside of vehicle windshields or mounted on vehicle license plates.

In Fiscal Year 2002, Maryland's *E-ZPass*<sup>SM</sup> system expanded to all Authority toll facilities, and a standard plan was introduced for less-frequent travelers. The Authority also introduced plans for operators of large trucks and commercial vehicles. Through the use of *E-ZPass*<sup>SM</sup>, typical rush-hour congestion has been reduced significantly at all Maryland toll plazas. To facilitate the flow of *E-ZPass*<sup>SM</sup> traffic, the Authority is extending the *E-ZPass*<sup>SM</sup>-dedicated lane at the John F. Kennedy Memorial Highway (I-95) toll plaza, and, in fall 2003, will begin widening the approach to the William Preston Lane Jr. Memorial (Bay) Bridge (US 50/301) toll plaza.

In fall 2002, the Authority initiated a marketing campaign to encourage additional *E-ZPass*<sup>SM</sup> membership. As more motorists use *E-ZPass*<sup>SM</sup>, customer convenience will increase; traffic congestion in and around toll-plaza areas will decrease; and engine-idling time will be reduced, resulting in reduced vehicle emissions.

### **I-95 Master Plan**

This comprehensive approach to improving and preserving the Authority-owned portion of the East Coast's most important Interstate highway route is a cooperative effort among the Authority and many public and private organizations. The Master Plan Study focuses on the 50-mile portion of I-95 from northern Baltimore City to Delaware known as the John F. Kennedy Memorial Highway.

This Interstate highway's capacity affects the quality of life of millions of regional travelers and local commuters, as well as the lives of one-quarter of the country's population in communities from Maine to Florida. The Authority included other State agencies, local governments and interest groups in the study's steering, local-government and stakeholder committees.

Through the study, the Authority identified a timetable for the highway's future projects. The Authority submitted the "Range of Modal Alternatives" document to regulatory agencies for approval in June 2002. A preliminary study of right-of-way needs, environmental mitigation and cross-section analysis for Section 100, the portion of I-95 between the I-895 interchange and MD 43, commenced in April 2002. The Authority approved the Master Plan in April 2003 and will begin project planning for this area in summer 2003, with public involvement beginning in the fall.

### **Needs Study for the Bay and Nice Bridges**

In coordination with the Maryland State Highway Administration, the Authority initiated needs studies for the William Preston Lane Jr. Memorial (Bay) Bridge (US 50/301) and the Governor Harry W. Nice Memorial Bridge (US 301) to address capacity and other travel issues for these facilities. Engineering staff completed origin-destination studies of bridge motorists and is using the information to predict traffic volumes for the next 20 years. The Authority anticipates having the traffic projections in early 2004 to review with local elected officials and partnering agencies. Using the projections, the Authority can determine when and how to meet growing demand upon these bridges and can define the scope of work, process and schedule that will be necessary to reach consensus and final decisions on any additional crossing capacity. The Authority will involve the public in these long-term projects, which can take eight to 15 years to plan, design and build.

### **Planning for Authority Administrative and Operational Facilities**

The Authority has completed a 20-year needs assessment for the Francis Scott Key Bridge (I-695) complex. The assessment includes plans for system preservation, facility expansion and landscaping enhancements. Various Authority executive offices and divisions have moved temporarily to the Point Breeze complex in Baltimore to accommodate facility-redevelopment projects. In addition, renovations are underway to replace and expand the maintenance facilities at the Baltimore Harbor Tunnel (I-895) and Nice Bridge respectively.

# convenience

**Preserve and Improve Authority Facilities**

### **Environmental Efforts Continue**

The Maryland Transportation Authority manages its facilities in an environmentally conscious manner. Plans are made and projects conducted with consideration given to their impact on surrounding communities and ecosystems.

The Authority continues to explore ways to improve the visual appeal of its facilities. Facility administrators completed initial aesthetics assessments to identify potential improvements. At the Baltimore Harbor Tunnel, staff planted additional trees in the area of I-895 and O'Donnell Street and maintained 14 acres of wildflowers along the facility in Fiscal Year 2002. At the Bay Bridge, staff completed extensive landscaping efforts in the toll-plaza area and along the eastern and western approaches to the bridge.

In winter 2002, the Authority initiated a new method of applying salt to agency roadways. The application method involves mixing liquid magnesium with salt just prior to applying the salt to the roadway. The salt-magnesium combination is more effective than salt alone, requiring less material to clear ice from the roadway and reducing the amount of salt runoff into local streams and waterways. An electronic device in specially outfitted Authority dump trucks enables staff to track data and keep records associated with this new application process.

### **Authority-Wide Recycling Efforts**

In 2002, the Authority's facilities generated 1,085.59 tons of trash, 270.49 tons of which were recycled. The agency's 25-percent recycling rate surpasses the State-mandated goal of 20 percent. The recycling rate for the Authority's Northern Region facilities was 50 percent for this period.

### **Annual Preventive-Maintenance Plans**

For the first time, the Authority implemented standardized maintenance plans for each facility. In addition, the agency developed computer software to track annual key maintenance activities related to system preservation and equipment performance, such as joint sealing, ditch maintenance and spot painting of structures.

### **William Preston Lane Jr. Memorial (Bay) Bridge Deck Renovation**

In January 2002, the Authority began a \$60-million, four-year deck-renovation project on the Bay Bridge's westbound span. The project's three-year first phase involves removal and replacement of portions of the concrete bridge deck, as well as the metal railings, in the concrete-beam, deck-truss and steel-girder portions of the bridge. Phase two will involve work on the main-channel spans. The Authority continues to work diligently with local communities to mitigate traffic-management issues during this necessary project.

### **William Preston Lane Jr. Memorial (Bay) Bridge Painting Project**

The Authority continued its five-year, \$68-million project to clean and paint the eastbound span of the Bay Bridge. The project involves removal and replacement of the bridge's original lead-based paint with a new zinc-based-paint system. Phase-one work on portions of the span above and beside the roadway is complete. In the project's second phase, the span's eastern approach is being repainted. Phase three involves repainting the span's western approach. Both phases are scheduled for completion fall 2003.

### **I-95 Enhancements**

The Authority continues to expedite projects that address existing needs, can proceed in an immediate timeframe and are compatible with long-term improvements. These projects include continuing safety modifications to the I-95/MD 22 interchange in Harford County; an ongoing \$16-million project to resurface I-95 between I-695 and MD 24; and noise-barrier construction, now complete, between Chesaco and Hazelwood avenues. In June 2002, the Authority initiated a two-year, \$14.89-million project to repair 12 bridge structures along 4.5 non-consecutive miles of I-95.



### **Traffic Safety Committee**

This group, comprising police, operations and engineering staff, is the cornerstone of the Authority's efforts to provide safe roadways for Maryland's citizens and visitors. Established in Fiscal Year 1999, the Traffic Safety Committee meets monthly to develop strategies to reduce the number of traffic accidents at Authority facilities. Activities include researching State and national accident statistics and trends, investigating accidents on agency property, developing operations and enforcement enhancements, improving management of congestion and incidents and instituting initiatives to help prevent roadway accidents.

Using maps and databases, facility administrators conduct accident analyses to aid the committee in its efforts. This information allows the team to identify high-occurrence accident areas, possible accident causes, facility deficiencies and improvement strategies. Committee members also coordinate courtesy patrols and various law-enforcement initiatives. Traffic-safety teams have been established at each facility to assist the committee in its efforts.

### **Maryland Transportation Authority Police Activities**

To help protect motorists from impaired drivers, the Maryland Transportation Authority Police conducted sobriety checkpoints at the Fort McHenry Tunnel and at the Francis Scott Key, Thomas J. Hatem Memorial (US 40), William Preston Lane Jr. Memorial and Harry W. Nice Memorial bridges. Throughout the fiscal year, officers confiscated nearly \$306,000 in illegal-drug money, 619 pounds of controlled-dangerous substances and 47 illegal handguns.

Authority Police joined other law-enforcement agencies from Maryland, Virginia and the District of Columbia during the "Smooth Operator" campaigns designed to enhance enforcement of and education about aggressive-driving laws. Police continued unconventional enforcement against aggressive drivers with special-patrol operations using unmarked Ford Mustangs and Chevrolet Camaros. A commercial-vehicle patrol team also was created using unmarked Ford Expeditions. In July 2001 and during the 2002 Memorial Day weekend, the force joined the Maryland State Police in "Operation Centipede," which involved intense radar enforcement along I-95 from Baltimore to Delaware. During Fiscal Year 2002, officers issued nearly 55,000 motor-vehicle citations and 30,000 motor-vehicle warnings to motorists using Authority roadways. Police also joined the "Highway Watch" program, in which members of the force's Commercial Vehicle Safety Unit (CVSU) trained operators of commercial vehicles to detect possible terrorist activities.

Authority Police participated in the 2002 Chiefs' Challenge, sponsored by the Maryland Committee for Safety Belt Use and the Maryland Chiefs of Police Association. For the sixth consecutive year, Authority Police earned a first-place award during the event, which is conducted annually to educate the public about the State's seatbelt and child-safety-seat laws. The force received its third national first-place award from the International Chiefs' of Police Association for traffic-safety efforts conducted in calendar year 2002.

Commercial Vehicle Safety Unit inspection staff weighed 268,858 trucks in Fiscal Year 2002, inspected 14,178 of those weighed and placed 3,365 of these vehicles, as well as 1,337 drivers, out of service. In addition, inspectors issued 7,660 citations and 1,730 warnings, with fines totaling nearly \$1.4 million. Commercial-vehicle and -driver inspections performed by CVSU staff account for 22 percent of all such inspections conducted in Maryland, and the unit's efforts account for 27.5 percent of commercial vehicles and drivers placed out of service in the State.

In cooperation with the Maryland Department of Transportation and the Federal Motor Carrier Safety Administration, the Authority is participating in a \$1.2-million pilot program to test the viability of electronic enforcement of truck-safety regulations. The program utilizes one transponder for electronic payment of tolls and electronic access to vehicle-safety databases. Inspectors at the Authority's Commercial Vehicle Weigh Station and Inspection Complex on I-95 in Perryville, MD, are participating in the pilot, which may serve as a national model for similar programs.

The first of its kind, Maryland's e-screening system was developed by the Johns Hopkins University's Applied Physics Lab. The system enables safe and compliant vehicles to bypass weigh stations, allowing inspectors to concentrate efforts on vehicles with safety, weight and credential violations.

### **Training Our Employees**

In October 2001, more than 50 participants, including maintenance technicians, vehicle-recovery technicians, telecommunications operators, Transportation Authority Police officers and Maryland State Police troopers, attended the Second Annual Maryland Transportation Authority Symposium on Traffic Safety. The symposium provides an opportunity for Authority employees to share their experiences and develop ideas for safety initiatives. Presentations included an update on the Traffic Safety Committee's activities, including facility-specific initiatives; accident statistics and trends; incident-management and intelligent-transportation-systems discussions; and an interchange-technology demonstration. Guest speakers included representatives from the Maryland State Highway Administration and the Baltimore Metropolitan Council.

### **Informing Our Customers**

The Authority uses a variety of methods to promote safety and inform motorists. The agency's Office of Media and Customer Relations issues news releases regarding construction activities, travel advisories and Maryland Transportation Authority Police safety and enforcement initiatives. Safety tips are available to customers on the Authority's website, [www.mdtransportationauthority.com](http://www.mdtransportationauthority.com), and on the toll-free Bay Bridge Hotline, 1-877-BAYSPAN. Agency spokespeople address safety issues during media interviews. In addition, the Authority produced an anti-aggressive-driving brochure; a drunk-driving-prevention brochure in cooperation with Mothers Against Drunk Driving (MADD); and, in cooperation with the Maryland Motor Truck Association (MMTA), a "No-zone" brochure educating motorists about tractor-trailer blind spots.

### **Courtesy Patrols and Vehicle-Recovery Services**

The Authority's courtesy patrols and vehicle-recovery program enhance service and safety while reducing the impact of disabled-vehicle-related congestion along agency roadways. Courtesy patrols operate during peak-traffic periods and provide 24-hour coverage at the Bay Bridge. Vehicle-recovery services are available at the Fort McHenry (I-95 and I-395) and Baltimore Harbor tunnels 24-hours-a-day.

During Fiscal Year 2002, a multi-year plan to extend courtesy-patrol service for the Kennedy Highway was developed. Phase one extended 16-hour coverage from the I-95/I-895 interchange to Exit 80 (MD 543). Phase two, funded in Fiscal Year 2003, will extend coverage to Exit 93 (MD 222). In fiscal years 2004 and 2005, final phases will incorporate weekend hours, extend coverage to Delaware and establish a Highway Operations Center and planned traffic-management system.

## safety

**Reducing Workplace Accidents**

### **Education as the First Step to Prevention**

The Office of Risk Management developed a standard list of safety-training requirements for each major classification of employees. Required training is conducted through the office and facility-training initiatives. Each facility examines safety issues monthly, conducts training sessions and emphasizes the importance of employee safety.

### **Making Safety a Member of the Team**

Risk-management staff conducts routine safety audits of each facility. During monthly safety meetings held at each facility, health and industry professionals often are invited to help address specific and timely safety issues. The number of work-related injuries involving lost-time has been reduced from 61 in Fiscal Year 1998 to 35 in Fiscal Year 2002.

## security

**Protecting People and Property from Unlawful Activity**

### **Enhanced Education, Training and Recruitment**

In cooperation with the Community College of Baltimore, Authority Police developed a leadership-training course for the force's management staff. During Fiscal Year 2002, three sergeants and two corporals completed the five-day course. Two members of the command staff attended long-term training at nationally recognized facilities, including the Northwestern University Police and Command School and the FBI's National Academy for Administrative Management.

The 33rd Officer Candidate Class graduated from the Maryland Transportation Authority Police Academy in December 2002. The class comprised 33 Authority Police recruits. The force has established a matriculation program with the Community College of Baltimore County. Officer candidates who participate in this program may receive 44 college credits upon graduation -- the highest credit number awarded by any police academy in Maryland.

### **K-9 Detachment**

The Maryland Transportation Authority Police assumed K-9 coverage of the Baltimore/Washington International Airport (BWI) in January 2002. Officer candidates and their canine partners complete Transportation Security Administration training at Lackland Air Force Base in Texas. Six officers and their canine partners provide explosive-detection services at the airport, the Authority's toll facilities and the Port of Baltimore.

### **Domestic Terrorism Emergency Operations**

Authority Police and the Office of Risk Management jointly developed and implemented a training curriculum for Authority employees regarding terrorism. In March 2002, the Authority participated with the Maryland Department of Transportation in a tabletop exercise simulating an explosion of a light-rail train at BWI. In October 2002, the Authority implemented its own tabletop exercise to test resource availability, communications and coordination of police and operations functions.

The Authority's Security Coordinating Group brings together police and operations staff to address terrorism-response planning and overall security issues. Accomplishments include completing the Authority Emergency-Operations Plan, creating a new Police Emergency-Command Center, developing facility-vulnerability assessments and emergency/evacuation plans and coordinating terrorism-alert activities.

### **Service Partnerships**

Authority Police maintained crime-prevention partnerships with tenants of BWI Airport and the Port of Baltimore and with management and employees of the Maryland Aviation Administration (MAA) and the Maryland Port Administration (MPA). Police meet quarterly with MAA and MPA management to review key indicators of law-enforcement activity, such as crime, vehicle collisions and customer complaints, and overall police performance.

## economic development

**Financing and Building** New Transportation Facilities with the Maryland Department of Transportation to Meet Maryland's Transportation Needs

### **Seagirt Marine Terminal**

The Authority financed and owns the 140-plus-acre Seagirt Marine Terminal, which opened in 1990. The terminal's state-of-the-art container cranes represent advanced technology and high cargo-handling efficiency. In Fiscal Year 2002, a total of \$22.1-million in additional improvements was made to Seagirt, including the purchase of 25 acres of the adjacent Point Breeze office complex in Baltimore. The Maryland Port Administration leases Seagirt from the Authority and has sole responsibility for operations.

### **Canton Railroad Company**

Owned by the Authority since 1987, the Canton Railroad Company is a short-line switch carrier that operates along 17 miles of track, providing rail access to Seagirt Marine Terminal for several industrial concerns and warehouse and distribution facilities. Canton Railroad has served the southeast Baltimore region and the Port of Baltimore for nearly 100 years.

### **Working With Minority Businesses**

The Authority provides an inclusive and diverse environment in which to do business in accord with State of Maryland regulations. Of all agency procurement activity conducted this fiscal year, 23.6 percent involved minority-business-enterprise participation.

### **Higher Education and Applied Technology (HEAT) Center**

The Higher Education and Applied Technology (HEAT) Center is a cooperative effort among the Authority, Harford County government, the City of Aberdeen and Harford and Cecil community colleges. The HEAT Center, located in Aberdeen, MD, integrates education, research and development in a central location. The complex includes two buildings used for educational purposes and a privately leased business park. In June 2001, the Authority sold approximately 90 acres of the site to Battelle Memorial Institute, a nationally renowned technology corporation.

The Authority maintains ownership of approximately 60 acres of the HEAT Center and continues to market the Center's 12 remaining developable acres. Excluding land value, the agency has invested more than \$3.5 million in the complex, including financing the Center's water and sewer systems, as well as an extension of the facility's spine road, Technology Drive, to provide access to the remainder of the property.

The Authority maintains ownership of approximately 60 acres of the HEAT Center and continues to market the Center's 12 remaining developable acres. Excluding land value, the agency has invested more than \$3.5 million in the complex, including financing the Center's water and sewer systems, as well as an extension of the facility's spine road, Technology Drive, to provide access to the remainder of the property.

### **Additional Economic-Development Initiatives**

The Authority continues to work with the Maryland Department of Transportation (MDOT) to expand BWI Airport. In March 2002, the agency issued \$264 million in revenue bonds for the purchase of an existing garage at Elm Road, construction of a new parking facility and roadway and utility improvements. In May 2002, the Authority issued \$120 million in revenue bonds for the construction of a consolidated car-rental facility for the airport.

# service

**Responding** Professionally to Customers' Needs  
for Assistance and Information

## **Prompt and Courteous Customer Service**

The Authority's Office of Media and Customer Relations provides prompt and courteous service to thousands of customers annually through written correspondence, telephone assistance and e-mail. The office disseminates information to Authority staff via the Crossings and Authority News publications; to motorists via brochures, flyers and fact sheets distributed in the toll lanes; to the public at large at community events; and to *E-ZPass*<sup>SM</sup> customers through mailings. Authority spokespeople communicate safety, travel, operations and incident information to customers through agency news releases and media interviews. News releases, lane closures, inclement-weather-travel information and emergency-incident updates are available on the agency's website [www.mdtransportationauthority.com](http://www.mdtransportationauthority.com). The Authority created the website [www.baybridgeinfo.com](http://www.baybridgeinfo.com) specifically to provide information about the Bay Bridge's westbound-span deck-renovation project.

## **Participated In and Promoted Public-Outreach Efforts**

The Authority educates and informs motorists and their families through public outreach and special events. Efforts included: the Authority Police Child ID Program; Buckle Up America Seat Belt and Child Safety Seat Campaign; Drunk and Drugged Driving (3D) Prevention Month; Maryland Chiefs' Challenge; the Maryland Department of Transportation's "Moving Maryland" cable-television and radio shows; child-safety-seat checks by certified Authority child-passenger-safety technicians; the Governor's Maryland Technology Showcase event; and the Maryland State Fair.

In support of our local communities, employees participated in the Authority Police Annual Pistol Competition to benefit Concerns of Police Survivors; the 2001 U.S. Marine Corps Reserves Toys for Tots campaign, during which Authority employees collected 6,315 toys for disadvantaged area children; Habitat for Humanity; the annual Walk for Multiple Sclerosis; the Walk for Juvenile Diabetes; agency-sponsored American Red Cross blood drives; and the annual Maryland Charity Campaign. The Maryland Transportation Authority teamed with the Maryland Aviation Administration and Special Olympics Maryland to raise approximately \$70,000 for Special Olympics athletes during the Fifth-Annual Maryland Transportation Authority Police Plane Pull.

## **Authority Ambassadors**

Millions of customers interact with Authority toll collectors annually. For many of these customers, this is their only interaction with an Authority employee. To help enhance the customer-collector interaction, the Authority developed and provided courtesy training for all toll collectors. Toll sergeants were trained to instruct the course, now included in collectors' entry-level training.

Toll collectors maintain within their booths supplies of *E-ZPass*<sup>SM</sup> applications and State maps to provide to customers upon request. Collectors also maintain directions to frequently visited areas, and six of the most commonly requested directions are printed on customer receipts for each facility.

## **Serving Our Employees, Our Internal Customers**

In December 2001, the Authority created the Division of Organizational Development to consolidate training, total-quality, minority-business, fair-practices and diversity programs. The Division operates the Authority's new training facility, which opened fall 2002 at the Point Breeze office complex.

Division staff oversees training opportunities that present employees with the skills, techniques and information necessary to succeed in supervisory and management positions within the agency. Approximately 23 managers and supervisors graduated from the agency's first Bulletproof Manager Seminar Series in December 2001. The second class is scheduled to graduate in 2003. The Authority's Supervisory Training Program, with a target audience of more than 200 operations supervisors and administrative managers, continued during the fiscal year. This 12-module program will graduate its first 25 participants in December 2003. Staff also commenced the development of an employee-mentorship program, with members of senior management serving as program mentors.

The agency's Diversity Council, created in 1999 to foster a work environment that maximizes employee potential, planned and implemented its third-annual Authority Day for agency employees and their families. Approximately 400 participants attended the daylong event, which celebrated employee diversity, showcased employee talent and included culturally diverse artistic performances, art and crafts, and games. The Authority also hosted Black History and Women's History Month celebrations and the agency's annual health-benefits fair for employees.

## **I-95 Travel Plazas**

More than 5.2-million customers visited the Authority's Maryland House and Chesapeake House travel plazas on the John F. Kennedy Memorial Highway during Fiscal Year 2002. To better serve these travelers, the Authority commenced a \$12-million project to renovate the plazas' restroom facilities. Maryland House renovations are complete and include a new family-friendly restroom. Chesapeake House renovations are scheduled for completion in summer 2003.

# financial statement

Financial statements and supplemental exhibits for  
the fiscal year ended June 30, 2002, with Report of Independent Auditors

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### Report of Independent Auditors

Secretary of Maryland Transportation Authority

We have audited the accompanying financial statements of the Maryland Transportation Authority (the Authority—an enterprise fund of the State of Maryland) as of June 30, 2002, as listed in the table of contents. These financial statements and supplemental exhibits are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Authority and do not purport to and do not present fairly the financial position of the State of Maryland as of June 30, 2002, and its changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

As described in Note 2, the Authority has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of July 1, 2001.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Transportation Authority as of June 30, 2002, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental exhibits listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental exhibits have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 15, 2002

*Ernst + Young LLP*

**Maryland Transportation Authority**

**Statement of Net Assets  
June 30, 2002  
(in thousands)**

**Assets**

Current assets:

Cash and cash equivalents	\$ 57,642
Restricted cash and cash equivalents	461,557
Investments, at fair value	209,902
Restricted investments, at fair value	28,526
Intergovernmental receivable	19,914
Inventory	947
Accounts receivable	6,586
Accrued interest	4,662
Direct financing leases receivables	5,693
Total current assets	<u>795,429</u>

Noncurrent assets:

Capital assets, net	1,415,867
Intergovernmental receivables	10,674
Direct financing leases receivable	131,112
Other receivables	1,782
Investment in CDC	1,625
Total assets	<u>\$ 2,356,489</u>

**Maryland Transportation Authority**

**Statement of Net Assets  
June 30, 2002  
(Continued)  
(in thousands)**

**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities	\$ 28,804
Deferred revenue	2,712
Current portion of bonds payable	19,310
Accrued annual leave	4,536
Accrued workers' compensation costs	4,738
Total current liabilities	<u>60,100</u>

Bonds payable

649,475

Total liabilities

709,575

Net assets:

Invested in capital assets, net of related debt	1,212,192
Restricted for:	
Debt service	24,651
Capital expenditures	44,159
Investment in CDC	1,625
Unrestricted	364,287
Total net assets	<u>\$ 1,646,914</u>

See accompanying notes.

**Maryland Transportation Authority**

**Statement of Revenues, Expenses, and Changes in Net Assets  
June 30, 2002  
(in thousands)**

**Operating Revenues:**

Toll revenue	\$ 182,445
Concession income	7,213
Intergovernmental revenue	22,573
Other	2,932
Total operating revenues	<u>215,163</u>

**Operating expenses:**

Collection, police patrol and maintenance	87,056
Major repairs, replacements and insurance	47,765
General and administrative	8,611
Depreciation	46,500
Total operating expenses	<u>189,932</u>
Operating income	25,231

**Nonoperating income (expense):**

Interest income on investments	12,210
Interest on direct financing leases	8,887
Interest expense	<u>(15,899)</u>
Change in net assets	30,429
Net assets, beginning of year	<u>1,616,485</u>
Net assets, end of year	<u><u>1,646,914</u></u>

See accompanying notes.

**Maryland Transportation Authority**

**Statement of Cash Flows  
June 30, 2002  
(in thousands)**

**Cash flows from operating activities**

Payments to employees	\$ (59,040)
Payments to suppliers	(86,891)
Receipts from toll collections and ticket sales	182,958
Receipts from concession and other revenue	7,213
Receipts from other government agencies for services	16,660
Net cash from operating activities	<u>60,900</u>

**Cash flows from noncapital financing activities**

Proceeds from issuance of debt	381,420
Debt interest payments	(5,072)
Debt principal payments	(4,240)
Net cash from noncapital financing activities	<u>372,108</u>

**Cash flows from capital financing activities**

Principal payment on capital debt	(13,445)
Interest paid on capital debt	(7,378)
Purchase of capital assets	<u>(54,542)</u>
Net cash from capital financing activities	<u>(75,365)</u>

**Cash flows from investing activities**

Purchase of investments	(1,145,583)
Proceeds from sale of investments	1,108,404
Interest income	10,508
Payments for direct financing capital lease assets	(103,728)
Proceeds from direct financing leases	38,964
Net cash from investing activities	<u>(91,435)</u>

Net increase in cash and cash equivalents	266,208
Cash and cash equivalents, beginning of year	<u>252,991</u>
Cash and cash equivalents, end of year	<u><u>\$ 519,199</u></u>

## 2. Significant Accounting Policies

### Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Authority has elected not to apply non-GASB pronouncements issued on or after November 30, 1989.

### Implementation of GASB Statement No. 34

The Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments (GASB 34), as of July 1, 2001. GASB 34 requires the Authority to present a classified balance sheet, statement of revenue, expenses and change in net assets, and a statement of cash flows using the direct method. The adoption of this statement resulted in a change in classification as of June 30, 2002 from fund balance to net assets. GASB 34 does not require stand-alone financial statements of a government enterprise fund, which is part of the general government and is not a component unit of the general government to present required supplementary information (RSI), including management’s discussion and analysis. While GASB 34 does not preclude the presentation of RSI from the separate financial statements of a fund, the Authority has elected to not present RSI.

Prior the adoption of GASB 34, the Authority was reported using the governmental model. With the adoption of GASB 34, the Authority is reported as an enterprise fund using the business type activities model. The adoption of this new model resulted in a change to the Authority’s total net assets as of June 30, 2002 to \$1,646,914,000.

### Cash and Cash Equivalents

The Authority considers all investments with original maturities of three months or less at the time of purchase to be cash equivalents.

### Investments

Investments are carried at fair value with all income, including unrealized changes in the fair value of investments, reported as interest and other investment income in the accompanying financial statements. The Trust Agreement requires that the Authority’s investments in repurchase agreements be fully collateralized by the Trustee. Such investments held by the Authority as of June 30, 2002, were collateralized.

Investments are classified as to credit risk by the three categories described below:

Category 1—Insured or registered, or securities held by the Authority or its agent in the Authority’s name.

Category 2—Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the Authority’s name.

Category 3—Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Authority’s name.

### Inventory

Inventory consists primarily of spare parts and supplies carried at cost using a weighted average cost method.

### Capital Assets

The Authority records capital assets at cost less accumulated depreciation. The Authority has established \$50,000 as the threshold to capitalize capital assets. Depreciation is calculated on a straight-line basis over 30 years.

### Revenue Recognition

The Authority recognizes toll revenue as vehicles pass through toll facilities. All other revenue is recognized on an accrual basis as earned. Operating revenue consist of tolls collected, commissions received from the right to operate facilities along the highways and all other service revenue received. Nonoperating revenue consist of interest income.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

## 3. Cash and Cash Equivalents and Investments

Cash and cash equivalents as of June 30, 2002, consisted of amounts deposited with a single financial institution in various accounts, many of which have companion overnight repurchase accounts. Investments as of June 30, 2002, consisted of United States Government and Agency obligations and Banker’s Acceptances. All such investments are stated at fair value and are classified as to credit risk as Category 1.

Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the State. Category 1 includes deposits insured or collateralized with securities held by the State or its agent in the State’s name. Category 2 includes deposits collateralized with securities held by the pledging financial institution’s trust department or agent in the State’s name. Category 3 includes deposits which are uncollateralized.

As of June 30, 2002, the book balance for the bank deposits was approximately \$519 million and the bank balance was approximately \$514 million. Approximately \$1 million was insured by Federal depository or collateralized by securities held by the State’s agent in the State’s name and is a Category 1 asset. The remaining balance was on deposit with the U.S. Treasury and is not categorized as to custodial credit risk in accordance with GASB Statement No. 3.

In accordance with the Trust Agreement, the Authority has established and maintains certain restricted accounts. Funds have been deposited in these accounts and are restricted for the payment of debt service related to the revenue bonds, major maintenance project requirements, and improvements, betterments, enlargements or capital additions. The aggregate balance of these restricted accounts as of June 30, 2002, included in restricted cash and cash equivalents and restricted investments, was approximately \$490,083,000. These restricted assets are to be used to construct assets to be leased under direct financing lease agreements or to retire debt incurred to finance the assets leased.

The Authority's restricted cash and investments as of June 30, 2002, are as follows (in thousands):

Restricted cash:	
Airport facilities projects	\$ 68,984
BWI parking project	182,862
BWI consolidated car rental facility	94,830
Capital projects	39,220
Debt service projects	24,651
General operations	51,010
	<u>\$ 461,557</u>
Restricted investments:	
Capital projects	\$ 4,939
General operations	23,567
	<u>\$ 28,526</u>

#### 4. Capital Assets

A summary of the changes in the Authority's capital assets for the year ended June 30, 2002, was as follows (in thousands):

	June 30, 2001	Additions	Net Transfers	June 30, 2001
Nondepreciated				
Land and improvements	\$ 99,828	\$ 5,252	\$ -	105,080
Construction in progress	6,094	-	(6,094)	-
Depreciated				
Structures and improvements	2,051,415	49,290	6,094	2,106,799
Equipment	7,102	-	-	7,102
	<u>2,164,439</u>	<u>54,542</u>	<u>-</u>	<u>2,218,981</u>
Less accumulated depreciation				
Net	756,614	46,500	-	803,114
	<u>\$ 1,407,825</u>	<u>\$ 8,042</u>	<u>\$ -</u>	<u>\$ 1,415,867</u>

#### 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2002, are summarized as follows (in thousands):

	Balance June 30, 2001	Bond Accretion	New Debt Issued	Principal Payments	Increase in Accrual	Balance June 30, 2002	Amounts Due Within One Year
Revenue bonds	\$ 212,646	\$ 4,474	\$ -	\$ (13,445)	\$ -	\$ 203,675	\$ 14,240
Special obligation							
revenue bonds	87,930	-	-	(4,240)	-	83,690	4,470
BWI car rental							
facility bonds	-	-	117,345	-	-	117,345	600
BWI parking							
garage bonds	-	-	264,075	-	-	264,075	-
Total debt	<u>300,576</u>	<u>4,474</u>	<u>381,420</u>	<u>(17,685)</u>	<u>-</u>	<u>668,785</u>	<u>19,310</u>
Accrued annual							
leave	4,069	-	-	-	446	4,536	2,600
Accrued workers							
compensation	3,908	-	-	-	830	4,738	1,800
	<u>\$308,553</u>	<u>\$ 4,474</u>	<u>\$ 381,420</u>	<u>\$ (17,685)</u>	<u>\$1,276</u>	<u>\$ 678,059</u>	<u>\$ 23,710</u>

## Revenue Bonds

The 1991, 1992 and 1998 Revenue Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon do not constitute a debt or a pledge of the faith and credit of the State of Maryland or the Maryland Department of Transportation, but are payable solely from the revenues of the Transportation Facilities Projects of the Authority.

Revenue Bonds outstanding as of June 30, 2002, consisted of the following:

### 1991 revenue bonds:

Serial bonds maturing in annual installments ranging from \$6,830,000 to \$9,380,000 from July 1, 2002 to July 1, 2006, with interest ranging from 6.30% to 6.50%, payable semiannually. \$ 26,400,000

### 1992 revenue bonds:

Current interest serial bonds maturing in annual installments ranging from \$11,965,000 to \$14,570,000 from July 1, 2002 to July 1, 2013, with interest rates ranging from 5.50% to 5.80%, payable semiannually. 59,575,000

Capital appreciation bonds maturing in annual installments of original principal and an accreted interest ranging from \$3,000,000 to \$15,420,000 from July 1, 2004 to July 1, 2015, with approximate yield to maturity of 6% to 6.35%. 40,895,000

Current interest term bonds with interest payable semiannually at 5.75%, due July 1, 2015. 27,020,000

### 1998 revenue refunding bonds:

Serial bonds maturing in annual installments ranging from \$210,000 to \$9,510,000, from July 1, 2002 to July 1, 2006 with interest rates ranging from 4.35% to 5.00%, payable semiannually. 15,820,000

Total 169,710,000

Capital appreciation bonds' accumulated accreted interest 33,965,000  
\$ 203,675,000

Debt service requirements on the 1991, 1992 and 1998 Revenue Bonds are as follows (in thousands):

Year ending June 30	Principal	Accreted amount	Interest	Total
2003	\$ 14,240,000	\$ –	\$ 7,378,098	\$ 21,618,098
2004	19,855,000	–	6,546,650	26,401,650
2005	15,277,348	6,927,652	5,387,920	27,592,920
2006	22,780,000	–	4,845,240	27,625,240
2007	24,080,000	–	3,588,360	27,668,360
2008	6,197,000	9,222,548	2,268,252	17,687,800
2009	5,781,088	9,633,913	2,267,800	17,682,800
2010	5,433,325	9,981,675	2,267,800	17,682,800
2011	5,080,167	10,334,833	2,267,800	17,682,800
2012	4,773,255	10,641,745	2,267,800	17,682,800
2013	4,467,729	10,947,271	2,267,800	17,682,800
2014	13,236,810	2,183,190	2,267,800	17,682,800
2015	13,897,000	2,232,690	1,553,650	17,683,340
2016	14,611,120	2,279,190	776,825	17,667,135
	<u>\$ 169,709,842</u>	<u>\$ 74,384,705</u>	<u>\$ 45,951,795</u>	<u>\$290,046,343</u>

With respect to the 1991 Revenue Bonds, the bonds maturing after July 1, 2001, are subject to redemption, at the Authority's option on or after July 1, 2001. The redemption prices range from 100% to 102% of the principal amount. The debt service reserve requirement for the 1991 Revenue Bonds, in the amount of \$9,990,000, has been satisfied through a surety bond.

With respect to the 1992 Revenue Bonds, \$13,130,000 of the current interest term bonds stated to mature on July 1, 2015, is subject to mandatory sinking fund redemption on July 1, 2014, at a redemption price equal to the principal amount, plus accrued interest. The debt service reserve requirement for these bonds, in the amount of \$23,325,000, has been satisfied through the deposit of cash with the trustee and is included in the debt service fund on the balance sheet. The current interest serial bonds stated to mature on July 1, 2013, and the balance of the current interest term bonds stated to mature on July 1, 2015, are subject to redemption at the option of the Authority on or after July 1, 2002, without premium. The capital appreciation bonds are not subject to early redemption. Capital appreciation bonds payable as of June 30, 2002, include an accreted amount of \$33,965,000.

### Special Obligation Revenue Bonds

During the year ended June 30, 1994, the Authority issued \$162,580,000 of Special Obligation Revenue Bonds, Series 1994 (the Series 1994 Bonds), to finance a portion of the costs of certain projects (the Airport Facilities Projects) located at Baltimore/Washington International Airport. The facilities are leased to the Maryland Aviation Administration (MAA) through a direct financing lease. (See Note 9). The Special Obligation Revenue Bonds are payable as to principal and interest solely from Passenger Facility Charges (PFCs) received by the MAA and deposited with the Trustee (Bank of New York) and amounts deposited in the general account maintained by the Authority under the Trust Agreement. The Series 1994 Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from PFCs which the Authority will receive from MAA in the form of direct financing lease payments.

Special Obligation Revenue Bonds outstanding as of June 30, 2002, consisted of:

Series 1994 bonds, maturing as scheduled below, with interest rates ranging from 5.50% to 6.30%, payable semiannually. \$ 83,690,000

Debt service requirements on the Special Obligation Revenue Bonds are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2003	\$ 4,470,000	\$5,072,848	\$ 9,542,848
2004	4,715,000	4,826,998	9,541,998
2005	4,980,000	4,562,958	9,542,958
2006	5,265,000	4,279,098	9,544,098
2007	5,565,000	3,976,360	9,541,360
2008	5,895,000	3,649,416	9,544,416
2009	6,245,000	3,295,716	9,540,716
2010	6,630,000	2,913,210	9,543,210
2011	7,045,000	2,498,835	9,543,835
2012	7,490,000	2,055,000	9,545,000
2013	7,955,000	1,586,875	9,541,875
2014	8,455,000	1,089,688	9,544,688
2015	8,980,000	561,250	9,541,250
	<u>\$ 83,690,000</u>	<u>\$40,368,250</u>	<u>\$124,058,250</u>

### BWI Consolidated Car Rental Facility Bonds

During the year ended June 30, 2002, the Authority issued \$117,345,000 of BWI Consolidated Car Rental Facility Bonds Revenue Bonds, Series 2002 (the Series 2002 Bonds), to finance the costs of a car rental facility located at Baltimore/Washington International Airport. The interest rates on the bonds range from 2.75% to 6.65%. The facility is leased to the MAA through a direct financing lease (See Note 9). The BWI Consolidated Car Rental Facility Bonds Revenue Bonds are payable as to principal and interest solely from customer facility charges from the MAA. The Series 2002 Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from the customer facility charges which the Authority will receive in the form of direct financing lease payments.

Debt Service Requirements on the 2002 BWI Consolidated Car Rental Facility Bonds are as follows:

	Principal	Interest	Total
2003	\$ 600,000	\$ 7,706,558	\$ 8,306,558
2004	1,630,000	7,441,519	9,071,519
2005	1,690,000	7,382,350	9,072,350
2006	1,760,000	7,312,046	9,072,046
2007	1,840,000	7,229,326	9,069,326
2008	1,935,000	7,137,142	9,072,142
2009	2,035,000	7,035,361	9,070,361
2010	2,145,000	6,923,640	9,068,640
2011	2,270,000	6,801,804	9,071,804
2012	2,400,000	6,669,236	9,069,236
2013	2,545,000	6,527,876	9,072,876
2014	2,710,000	6,362,960	9,072,960
2015	2,885,000	6,187,352	9,072,352
2016	3,070,000	6,000,404	9,070,404
2017	3,270,000	5,801,468	9,071,468
2018	3,480,000	5,589,572	9,069,572
2019	3,705,000	5,364,068	9,069,068
2020	3,945,000	5,123,984	9,068,984
2021	4,200,000	4,868,348	9,068,348
2022	4,475,000	4,596,188	9,071,188
2023	4,765,000	4,306,208	9,071,208
2024	5,080,000	3,989,335	9,069,335
2025	5,420,000	3,651,515	9,071,515
2026	5,780,000	3,291,085	9,071,085
2027	6,165,000	2,906,715	9,071,715
2028	6,575,000	2,496,743	9,071,743
2029	7,010,000	2,059,505	9,069,505
2030	7,480,000	1,593,340	9,073,340
2031	7,975,000	1,095,920	9,070,920
2032	8,505,000	565,583	9,070,583
	<u>\$ 117,345,000</u>	<u>\$ 154,017,143</u>	<u>\$ 271,362,143</u>

### BWI Parking Garage Bonds

During the year ended June 30, 2002, the Authority issued \$264,075,000 of BWI Parking Garage Bonds Revenue Bonds, Series 2002 (the Series 2002a Bonds), to finance the costs of a parking garage located at Baltimore/Washington International Airport. The interest rates on the bonds ranged from 4.00% to 5.50%. The parking garage is leased to the MAA through a direct financing lease (See Note 9). The BWI Parking Garage Bonds Revenue Bonds are payable as to principal and interest solely from parking fees collected. The Series 2002a Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from parking fees, which the Authority will receive in the form of direct financing lease payments.

Debt Service Requirements on the 2002 BWI Parking Garage Bonds are as follows:

	Principal	Interest	Total
2003	\$ –	\$ 14,346,170.00	\$ 14,346,170.00
2004	–	13,242,618.75	13,242,618.75
2005	4,315,000.00	13,242,618.75	17,557,618.75
2006	5,885,000.00	13,070,018.75	18,955,018.75
2007	7,510,000.00	12,834,618.75	20,344,618.75
2008	8,185,000.00	12,534,218.75	20,719,218.75
2009	8,590,000.00	12,149,468.75	20,739,468.75
2010	9,015,000.00	11,730,618.75	20,745,618.75
2011	9,465,000.00	11,291,143.75	20,756,143.75
2012	9,935,000.00	10,829,668.75	20,764,668.75
2013	10,430,000.00	10,337,881.25	20,767,881.25
2014	10,990,000.00	9,821,656.25	20,811,656.25
2015	11,580,000.00	9,269,431.25	20,849,431.25
2016	12,205,000.00	8,677,412.50	20,882,412.50
2017	11,600,000.00	8,042,787.50	19,642,787.50
2018	11,885,000.00	7,433,737.50	19,318,737.50
2019	12,445,000.00	6,812,687.50	19,257,687.50
2020	13,095,000.00	6,154,931.25	19,249,931.25
2021	13,780,000.00	5,478,187.50	19,258,187.50
2022	13,970,000.00	4,766,043.75	18,736,043.75
2023	14,285,000.00	4,055,656.25	18,340,656.25
2024	15,025,000.00	3,328,906.25	18,353,906.25
2025	15,800,000.00	2,564,512.50	18,364,512.50
2026	16,615,000.00	1,746,862.50	18,361,862.50
2027	17,470,000.00	895,337.50	18,365,337.50
	<u>\$264,075,000.00</u>	<u>\$214,657,195.00</u>	<u>\$478,732,195.00</u>

## 6. Retirement Plans

### Maryland State Retirement and Pension System

The Authority contributes to the Maryland State Retirement and Pension System (the System), established by the State to provide pension benefits for State employees and employees of other participating entities within the State. While the System is an agent multiple employer public employee retirement system, the Authority accounts for the plan as a cost-sharing multiple employer public employee retirement system as a separate valuation is not performed for the Authority and the Authority's only obligation to the plan is its required annual contributions. The System is considered part of the State's financial reporting entity and is not considered a part of the Authority's reporting entity. The System prepares a separate Comprehensive Annual Report, which can be obtained from the Maryland State Retirement and Pension System at 120 E. Baltimore Street, Baltimore, Maryland 21202.

### Plan Description

The System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of the several plans which are managed by the Board of Trustees for the System. All State employees and employees of the participating entities are eligible for coverage by the plans.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completing 5 years of service. A member terminating employment before attaining retirement age but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member lives to age 60 (age 62 for the Pension System) and does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or after completing 30 years of service credit regardless of age, or at age 62 or older with specified years of service credit. A member of the Employees' Pension System is eligible for full retirement benefits upon the earlier of attaining age 62, with specified year of eligibility service, or accumulating 30 years of eligibility service regardless of age. The annual pension allowance for a State employee member of the Employees' Pension System equals 1.2% of the member's highest three years' average final salary (AFS), multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFS, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. The annual retirement allowance equal 1/55 (1.8%) of the member's AFS multiplied by the number of years of accumulated creditable service.

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals 1/50 (2.0%) of the member's AFS multiplied by the number of years of accumulated creditable service up to 30 years, plus 1/100 (10%) of the member's AFS multiplied by the number of years accumulated creditable service in excess of 30 years. The annual pension allowance for a member who is covered under the pension plan provisions equals 1.0 percent of the member's AFS up to the social security integration level (SSIL), plus 1.7 percent of the member's AFS in excess of the SSIL, multiplied by the number of years of accumulated creditable service. A member retiring prior to age 62 receives a service pension allowance of 1.7% of the member's AFS for each year of accumulated creditable service, until attaining age 62.

### Funding Policy

The Authority's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the System, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7% or 5% depending on the retirement plan selected). Members of the Pension System are required to contribute to the System 5% of their regular salaries and wages which exceed the social security wage contributions. Contributions are deducted from each member's salary and wage payments and are remitted to the System on a regular, periodic basis. The Authority made its required contributions during fiscal years ending June 30, 2002, 2001 and 2000, of \$7,913,000, \$5,965,000 and \$5,576,000, respectively. The required contribution for the year ended June 30, 2002 was 2% of coverage payroll.

### Post Retirement Benefits

The Authority, through the State also provides, in accordance with State Merit System Laws, post employment health care benefits to retired employees and their dependants (generally employees who retired before July 1, 1984, employees who retired on or after July 1, 1984, with at least 5 years of creditable service and employees who receive disability retirement allowances or special death benefits). The Authority subsidizes approximately 50% to 90% of covered medical and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for post employment health care benefits, which is based on health care insurance charges for current employees. The Authority is required each year to fund the amount requested by the State. During fiscal year 2002, these benefits paid by the State amounted to \$109,838,000. Costs are recognized as they are paid. There are 29,670 participants currently receiving benefits under the State's plan.

### 7. Risk Management

#### Accrued Workers' Compensation Costs

The Authority has recorded its portion of the State of Maryland's workers' compensation costs. The workers' compensation costs accrual represents the liability for anticipated claims and claims expense for the Authority's employees, less the cumulative excess of premiums paid to the Injured Workers' Insurance Fund and net investment income applicable to the Authority's coverage.

#### Self Insurance

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State of Maryland's self-insurance program (the Program). The Program covers general liability, property and casualty, workers' compensation, environmental liabilities and provides certain employee health benefits. The Program allocates its cost of providing claims servicing and claims payments by charging a premium to the Authority based on a percentage of estimated current payroll or based on average loss experience. In addition, the Authority maintains certain third party policies for structural property and liability damages. The Authority's premium payments for the year ended June 30, 2002, were approximately \$3,581,000.

### 8. Commitments

As of June 30, 2002, the Authority was contractually liable for approximately \$86 million of uncompleted construction and improvement contracts relating to its various projects. Inclusive of that amount, the Authority currently contemplates the expenditure, through 2007, of approximately \$995 million for capital additions, improvements and major rehabilitation.

### 9. Relationships with Other Governmental Agencies

The Authority performs services for other governmental agencies and receives fees for these services, which are included in intergovernmental revenue in the accompanying financial statements. In addition, other governmental agencies provide services to the Authority, which are included in the appropriate expense caption.

The Authority's intergovernmental revenue for the year ended June 30, 2002, was as follows (in thousands):

Maryland Port Administration	\$ 11,548
Maryland Aviation Administration	10,614
Baltimore City	309
Other	102
	<u>\$ 22,573</u>

#### Maryland Port Administration

The Authority has constructed and leases the Seagirt Marine Terminal and the Intermodal Container Facility to the Maryland Port Administration (MPA). The Authority accounts for this lease as an operating lease as no transfer of ownership will occur at the end of the lease term. The term of the agreement expires June 30, 2012 and payments are renegotiated every three years. In addition, the MPA pays for the Authority police to monitor the leased facilities. The intergovernmental income for the fiscal year ended June 30, 2002, was approximately \$11,548,000.

The Authority has loaned funds to MPA to construct Berth 4 at the Seagirt Marine Terminal. This loan bears interest at 2.9%. As of June 30, 2002, the outstanding principal balance was approximately \$10,674,000 and is included in intergovernmental receivables in the accompanying financial statements. Payments will continue for 33 years after completion of the construction.

The Authority has a direct financing lease with the MPA. The present value of the direct financing lease as of June 30, 2002, is as follows (in thousands):

	<b>Masonville Project</b>
2003	\$ 1,633
2004	1,633
2005	1,633
2006	1,633
2007	1,633
2008-2012	8,167
2013-2017	8,167
2018-2020	4,901
Total	29,402
Less—Unearned income	(11,032)
Net investment in direct financing lease	<u>\$ 18,370</u>

On April 21, 1998, the Authority and MPA entered into a capital lease agreement whereby the Authority would finance an amount not to exceed \$20,000,000, and MPA will design, engineer, construct and operate the Masonville Phase I Auto Terminal. Payments shall be made to the Authority in twenty equal installments, including interest at a rate of 5.5%, beginning June 30 in the year following the completion of construction. Principal due on this lease during the year ended June 30, 2003, is approximately \$623,000.

**Maryland Aviation Administration (continued)**

The Authority has direct financing leases with the Maryland Aviation Administration (MAA). The present value of the direct financing leases as of June 30, 2002, is as follows (in thousands):

	<b>Airport Facilities Projects</b>	<b>BWI Parking</b>	<b>Parking Garage</b>
2003			
2004	\$ 9,548	\$ 14,346	\$ 8,307
2005	9,547	13,243	9,072
2006	9,548	17,558	9,072
2007	9,549	18,955	9,072
2008-2012	9,546	20,345	9,069
2013-2017	47,743	103,725	45,352
2018-2022	28,643	102,954	45,360
2023-2027	–	95,821	45,347
2028-2032	–	91,786	45,355
Total	–	–	45,356
Less—Unearned income	124,127	478,732	271,362
Less—Restricted cash and investments	(40,437)	(214,657)	(154,017)
Net investment in direct financing lease	<u>(68,984)</u>	<u>(182,862)</u>	<u>(94,830)</u>
	<u>\$ 14,706</u>	<u>\$ 81,213</u>	<u>\$ 22,515</u>

The Authority borrowed funds to finance the development and construction of certain airport facilities projects at Baltimore/Washington International Airport. The Authority leases these airport facilities project assets to MAA under capital leases expiring on the date at which the Authority has recovered all of its costs related to the airport facilities projects. MAA funds the lease through payment to the Authority of all revenues received from the facilities financed under these lease agreements, even if the receipts are in excess of the required capital lease payment. Excess revenues and interest accrued on the excess are used to reduce future capital lease payments. The Authority provides police and traffic control services to MAA at MAA properties. MAA paid the Authority \$10,614,000 for costs associated with this function for the year ended June 30, 2002.

### **Baltimore City**

In 1991, the Authority and the Mayor and City Council of Baltimore (the City) agreed to transfer operations and ownership of Interstate Highways I-95 and I-395 located in Baltimore City from the City to the Authority. In consideration, the City agreed to pay the Authority an annual sum equal to \$7,500,000, less any Federal funds attracted by I-95 and I-395; however, in no event shall the cash payments by the City exceed \$5,000,000 in any given year. During fiscal year 2002, \$309,000 was paid by the City to the Authority, pursuant to such agreement.

### **Maryland State Police**

The Maryland State Police patrol the John F. Kennedy Memorial Highway. The Authority reimburses the State Police for the costs of providing these services, including an allowance for overhead. The cost for these services was approximately \$5,742,000 for the year ended June 30, 2002 and is included in collection, police patrol and maintenance expense in the accompanying financial statements.

### **Maryland State Highway Administration**

SHA performs certain inspection, testing, engineering and payroll processing functions for which they are reimbursed by the Authority. The expenditures for these services were approximately \$961,000 for the year ended June 30, 2002, and are included in general and administrative expenses in the accompanying financial statements.

### **10. Litigation**

The Authority is a defendant in a number of claims and suits resulting from capital and maintenance contracts and other operational matters. The Authority plans to vigorously defend these claims. In the opinion of the Authority's management, the settlement of these claims will not have a material adverse effect on the accompanying financial statements.

### **11. Canton Development Corporation**

In 1987, the Authority acquired 100% of Canton Development Corporation (CDC) for \$1,625,000. CDC owns 100% of the Canton Railroad Company (CRC). The Authority accounts for CDC on the cost basis. The investment in CDC is accounted for at cost as CDC was purchased for the benefit of the State of Maryland's economy. Ownership of CDC and CRC allows the Authority and the Maryland Port Authority to assure access of freight into and out of the Seagirt Marine Terminal. The \$1,625,000 investment for CDC is included in restricted net assets, as of June 30, 2002. A summary of the CDC balance sheet and statement of operations as of and for the year ended December 31, 2001, is as follows (in thousands):

<b>Balance Sheet</b>	
Current assets	\$ 1,840
Total assets	5,858
Current liabilities	556
Total liabilities	935
Stockholder's equity	4,923

  

<b>Statement of Income</b>	
Operating revenue	\$ 2,799
Net income	315

### **12. Related Party Transaction**

In January 2000, the Authority entered into a note receivable with CDC in the amount of \$300,000. The note accrues interest at the rate of 7.25% and is receivable in equal monthly installments of \$4,564 through January 2007. The balance outstanding as of June 30, 2002, is approximately \$5,000. The loan proceeds are being used for the construction of a new office building, and the loan is being collateralized by that building.

### **Maryland Transportation Authority Supplemental Exhibits**

The supplemental exhibits, which follow this page are presented for purposes of additional analysis and are not a required part of the basis financial statements. These exhibits are prepared on a cash basis and include certain grouping which are different from the basic financial statements, which are prepared in accordance with generally accepted accounting principles.